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China and Taiwan: Attitudes, Policies, and Options

National Intelligence Council
Memorandum

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NIC M 82-10012
November 1982

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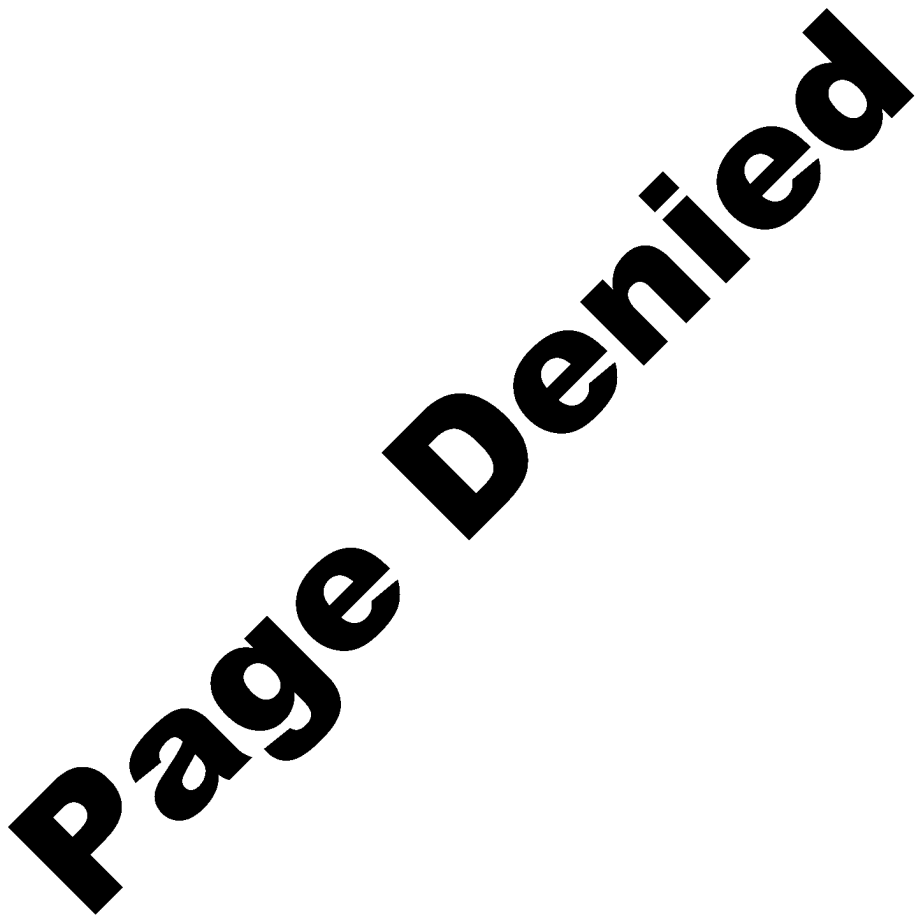

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China and Taiwan: Attitudes, Policies, and Options

National Intelligence Council Memorandum

Information available as of October 1982 was used in the preparation of this Memorandum.

This Memorandum was prepared by outside contract. It was discussed with representatives of the Intelligence Community and the National Intelligence Council, but its judgments are those of the author. Comments are welcome and may be addressed to the National Intelligence Officer for East Asia

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China and Taiwan: Attitudes, Policies, and Options

Key Judgments

The United States' interests in its relationships with China and Taiwan would be best served if Beijing and Taipei could reach some form of accommodation or association that would permit the two parts of China to coexist peacefully. The worst outcome would be a military confrontation that forced the United States to choose whether to provide assistance to Taiwan or to allow it to be overwhelmed by superior Chinese force. Trends over the past four years have moved fitfully toward an eventual accommodation, and they probably will continue in this direction.

Chinese officials seem well aware of the disadvantages of using military force against Taiwan, even though they insist on retaining the option as a form of pressure. They also know that China has little in the way of inducements to persuade the authorities and people of Taiwan of the advantages of unification. Hence, they seem resigned to a lengthy process of building connections between the mainland and Taiwan as a necessary prelude to negotiations.

The Chinese will almost certainly continue to regard US arms sales to Taiwan as encouraging Taiwan's leaders to refuse to negotiate. The agreement reached on 17 August 1982 provides a respite from Chinese pressure to end arms sales, but the Chinese have served notice that they will not be satisfied until a final "resolution" of the arms sales issue is reached.

Taiwan's leaders remain reasonably confident that China will not use force against the island during the next few years, but they are worried about the implications of the 17 August communique for Taiwan's defense in the longer term. They probably will remain adamantly opposed to negotiations, while continuing to liberalize contacts with China. The broad consensus among leaders and people on keeping Taiwan free of Chinese control is unlikely to weaken. Influential politicians, both mainlanders and Taiwanese, recognize the need to adhere to the one-China position to avoid provoking the Chinese into resorting to force and are unlikely to opt for an independent state of Taiwan in the absence of a drastic shift by Beijing to coercive policies.

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Over the next five years the interaction between China and Taiwan probably will not take the form of negotiations on their future relationship, but of patterns of behavior that send a shifting combination of warnings and reassuring signals to the other side, so that tacit understandings gradually develop in a number of areas, comparable to the long-established understandings on the range of naval and air patrols in the Taiwan Strait. US policies that provide concrete and growing benefits to China and satisfy its leaders that the United States is not conniving in the establishment of an independent Taiwan would further the accommodation process, provided that the people of Taiwan are not caused to feel abandoned by the United States.

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China and Taiwan: Attitudes, Policies, and Options

Summary

In designating the return of Taiwan to the motherland as one of three main goals for the 1980s, Chinese leaders underlined the importance they attach to this issue, but they probably do not expect it to be finally resolved during this decade. They are becoming increasingly aware of the opposition to unification among the people of Taiwan and the disadvantages of trying to resolve the problem by military force. Consequently, they seem resigned to a long process of building connections with the people on Taiwan and persuading and educating them, with the military option held in reserve. They assert and probably believe that US arms sales encourage Taiwan's leaders to refuse negotiations and have made it clear that they expect the 17 August 1982 communique on this issue to lead to the phasing out of such sales.

The main elements of Chinese policy toward Taiwan are: formal proposals by the National People's Congress and its Chairman, Ye Jianying; peaceful behavior in the Taiwan Strait area; a wide variety of united front operations aimed at influencing the people of Taiwan; encouragement of trade between Taiwan and the mainland; and continuing efforts to undermine Taiwan's status as a separate political entity. Beijing's principal difficulty is its lack of inducements to persuade the people of Taiwan that they would be better off united with China. Contradictions in China's policies also undermine their effectiveness. For the people of Taiwan, Beijing's refusal to renounce the use of force against the island and its pressure on the United States to end arms sales belie the ostensibly conciliatory nature of its unification proposals, particularly the promise that after unification Taiwan could retain its armed forces. Chinese leaders are uncertain whether to direct their principal efforts toward Chiang Ching-kuo and other mainlander leaders on Taiwan or to the Taiwanese, whose political influence will increase with the passage of time. Their attempts to appeal to both groups often produces confused, ineffective propaganda.

Taiwan's leaders see Beijing's proposals not as a basis for true autonomy for Taiwan, but as a starting point for negotiations that would end with the imposition of the Communist system on the island. Consequently, they flatly reject negotiations and place their hope in an eventual change in that system in China. Hardliners in the Kuomintang (KMT) see change as possible only through the overthrow of the Chinese Communist system by

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the people. Other mainlanders on Taiwan foresee the possibility of a gradual evolution of the system in China toward a system more like that in Taiwan. A third group, which advocates a "multisystem state" concept for China, places its hope in perpetuating a state of peaceful coexistence between Taiwan and China.

Most native Taiwanese would prefer an independent state of Taiwan run by them, and many express fear that the KMT may make a deal with Beijing behind their back. Relatively sophisticated Taiwanese politicians, however, do not favor a formal declaration of independence for Taiwan, as they realize it would not significantly improve Taiwan's international position and would increase the risk that Beijing would attack the island. A strong consensus thus exists among influential mainlanders and Taiwanese inside and outside the KMT opposing either negotiation with Beijing or a declaration of independence for Taiwan.

The principal concern of Taiwan's leaders is how to maintain an effective military deterrent to the use of force by China. They do not anticipate the use of force against Taiwan during the next several years, but they are concerned about the longer term. The US commitment in the 17 August communique to reduce and eventually phase out arms sales to Taiwan has heightened this concern. They will try to make Taiwan more self-reliant in weapons production, but they see little choice but to continue to rely heavily on the United States for Taiwan's security.

Taiwan bans direct trade, travel, and postal and shipping services between Taiwan and the mainland, fearing that these could be used by Beijing to promote its united front policies and infiltrate agents into Taiwan. The authorities in Taiwan have, however, tolerated growing indirect trade and correspondence between Taiwan and the mainland, sub rosa visits to mainland relatives by residents of Taiwan, and increasing numbers of contacts between people from Taiwan and China in third countries at universities, scientific conferences, and athletic meets. The authorities believe that an exchange of information concerning conditions in China and Taiwan will redound to Taiwan's advantage. Many differences exist between hardliners, who would ban all contacts between people from Taiwan and China, and those who favor varying degrees of liberality in allowing such contacts. The trend has been toward liberalization, and it probably will continue.

Recent trends seem to point toward some form of eventual accommodation between Taiwan and China. A scenario can be envisaged in which Chinese

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leaders accept the necessity of a prolonged period of gradually expanding relations and Taiwan's leaders accept the need in the long run to reach an understanding with China. No negotiations occur, but visits to Beijing and Taipei by trusted third parties lead to better understanding on each side of the thinking of top leaders on the other. As the network of connections between China and Taiwan gradually expands, the status quo more and more comes to be seen as an acceptable state of affairs. Both sides agree that China is one. Taiwan's leaders describe it as a multisystem state in which Taiwan is one of two autonomous units; Chinese leaders designate Taiwan as a special administrative district of China with a politicoeconomic system different from that of the rest of the country. Neither accepts the other's designation, but they are willing to live with the situation. The United States expands its relations with both China and Taiwan, and Chinese leaders are satisfied that the United States is not committed to establishing an independent Taiwan state.

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The actual trend over the next five years

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between China and Taiwan probably will not take the form of negotiations on the future relationship between Taiwan and the mainland, but of

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patterns of behavior that send a shifting combination of warnings and reassuring signals to the other side, so that tacit understandings gradually develop in a number of areas, comparable to the long established tacit understandings on the range of air and naval patrols in the Taiwan Strait. A trend of this sort toward accommodation would serve US interests well, while a confrontation would present the United States with extraordinarily difficult and controversial policy choices and a high risk of damage to important US interests, whichever choice was made. US policies that provide concrete and growing benefits to China and satisfy its leaders that the United States is not conniving at the establishment of an independent Taiwan would further a process of accommodation, provided that the people of Taiwan are not caused to feel abandoned by the United States.

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China and Taiwan: Attitudes, Policies, and Options

Chinese Views and Policies

Views of Chinese Leaders

Chinese leaders have designated "the return of Taiwan to the motherland" as one of the three main goals for the 1980s, along with modernization and opposition to "hegemonism." These leaders, survivors of the revolutionary generation, have devoted most of their lives to unifying China, ending foreign intervention in China, and trying to overcome the longtime rival of the Chinese Communist Party (CCP), the Kuomintang (KMT). They have strong feelings on the Taiwan issue. Because this is a deeply felt nationalistic issue, moreover, it is easy to mobilize popular support against US "interference" with the unification of Taiwan and the mainland. It is the kind of issue that can be used by opponents of Deng Xiaoping to put pressure on him. Chinese officials have asserted privately that the Taiwan issue is a domestic political problem for Deng, but these have been Deng supporters who spoke in the context of urging further US concessions on the arms sales issue. Evidence is lacking as to who Deng's critics on the Taiwan question are and how strong their alleged pressure on him has been.

No perceptible differences exist among Chinese leaders on the importance of the goal of retrieving Taiwan or in their determination to achieve it. There may be important differences, however, on timing and methods. It should be noted that "goal," as used by the Chinese, is a spongy word. The "goals" for the 1980s are not necessarily things to be accomplished or completed during that decade; they are tasks on which Chinese efforts and energies are to be concentrated. Beijing hardly expects modernization to be completed during the 1980s any more than it expects the need for opposition to "hegemonism" to have been eliminated by 1990. Some Chinese leaders, at least, while hoping for progress in resolving the Taiwan issue during the 1980s, clearly do not expect it to be finally resolved during that period.

Some middle-level officials in China are known to be critical of official policy toward Taiwan. For example, one such functionary expressed the thought that Taipei's adoption of the "arrogant" slogan "Reunify China With the Three People's Principles" [1] resulted from the superiority of Taiwan's economic conditions over those on the mainland, not from Taiwan's difficulties in domestic and foreign affairs and the accession of a pro-Taiwan administration in Washington. He added that everyone recognized that Taiwan had no reason to want reunification; Deng's view that the problem could be solved in the 1980s was extremely unrealistic, he said. In October 1981 middle-level foreign affairs officials were critical of Deng for having offered too much too soon to Taiwan without getting anything in return. A senior provincial official also asserted that there was considerable opposition to the lenient terms offered Taiwan by Deng. Only Deng's prestige has prevented this opposition from surfacing, he said, as there were important elements in China, especially in the armed forces, that favored liberation of Taiwan by force. Other differences exist concerning whether the thrust of China's unification efforts should be aimed at President Chiang Ching-kuo and the KMT or at the Taiwanese majority, as is discussed on pages 7 and 8.

The Chinese maintain that a settlement between Beijing and Taipei and the question of US "interference" in the form of arms supply to Taiwan are two separate issues. They do, however, link them by asserting that the continued sale of arms to Taiwan encourages its leaders to reject negotiations. Thus, they imply that eventual phasing out of arms sales by the United States may be a prerequisite for getting negotiations started.

[1] The "Three People's Principles," formulated by Sun Yat-sen, founder of the KMT, are nationalism, democracy, and the people's livelihood.

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As to how long it might take to reach a settlement with Taipei, Chinese leaders have expressed various views. Some have taken a rather relaxed attitude. For example, Deng Xiaoping was quoted as having said publicly in Tokyo in October 1978 that if the Taiwan issue "cannot be resolved in 10 years or 100 years, then in 1,000 years." Politburo member Fang Yi in January 1979 said, "100 years is not too long, nor is one year too short." Taiwan must be given time to adjust, said Fang, adding that not much movement could realistically be expected while Chiang Ching-kuo was President. Wang Bingnan, President of the Chinese People's Association for Friendship With Foreign Countries, speaking on television just after the announcement in December 1978, of the normalization of relations between Beijing and Washington, cited Mao as having said that it might take 10, 20, or even 100 years to resolve the Taiwan question, although an earlier solution would be better than a later one. Liao Chengzhi, the person primarily responsible for carrying out policy toward Taiwan and probably the senior official best informed about attitudes on the island, stated that arriving at a settlement with Taiwan is likely to be a very slow process.

Statements on how long it may take to resolve the Taiwan problem should not be taken literally, for policy on this issue can change quickly with circumstances. A relaxed view of how long reunification may take is consistent with Beijing's present conciliatory policy toward Taiwan, but, if it should decide to shift to a coercive policy, leaders would promptly change their tune.

As to how long Taiwan might be permitted to retain its separate political and economic systems after agreement on unification, several senior Chinese officials have stated privately that these systems could be allowed to continue "for a certain time," clearly implying that Taiwan would ultimately be incorporated fully into the Communist system.

Main Elements of Chinese Policies Toward Taiwan

Basic Framework. The official public position of the Chinese Government toward the unification of Taiwan with the mainland was conveyed in a "Message to Taiwan Compatriots" from the Standing Committee of the National People's Congress (NPC) on 1 January 1979, coincident with the normalization of diplomatic relations between China and the United States. The message was conciliatory, assuring the people of Taiwan that unification would not adversely affect their way of life and calling for negotiations without preconditions. The message also proposed the immediate establishment of postal, telecommunications, and transportation links between Taiwan and the mainland, the opening of direct trade, and a variety of cultural and other exchanges. Deng Xiaoping referred to this statement as constituting "the major policy, basic position, and attitude toward the return of Taiwan."

On 30 September 1981, NPC Chairman Ye Jianying, spelled out the Chinese position in greater detail. In a nine-point statement, he offered Taiwan "a high degree of autonomy as a special administrative region." He gave assurances that Taiwan's socioeconomic system would remain unchanged, as would its way of life and its cultural and economic relations with foreign countries. He said that the central government would not interfere with local affairs or encroach on proprietary rights, on the right of inheritance of private property, houses, land and enterprises, or on foreign investments. Taiwan could retain its own armed forces, and persons on Taiwan would be offered senior positions on the mainland.

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The draft state constitution being circulated on the mainland in 1982 provides in Article 30 for the establishment of special administrative regions. This is a new article, intended to create a legal basis for the existence within China of places such as Taiwan, Hong Kong, and Macau with non-Communist political and economic systems. The new constitution also drops from the preamble the statement in the previous constitution "We are determined to liberate Taiwan," replacing it with "Taiwan is part of the sacred

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territory of the People's Republic of China. To accomplish the great task of reunifying the motherland is the sacred duty of the entire Chinese people, including our compatriots in Taiwan." The constitution gives Sun Yat-sen a place of honor in China's revolutionary history.

To achieve the special status offered by Beijing, the Taiwan authorities would have to acknowledge Chinese sovereignty over Taiwan and abandon the use of the name Republic of China, together with its national flag and anthem. In private conversations, Chinese officials have stated that defense and foreign affairs would be the responsibility of the central government. Thus, any arrangements for Taipei's armed forces to acquire materiel abroad would have to be approved by Beijing, and Taiwan's overseas representatives would become representatives of "China." How this would work out in practice would obviously have to be the subject of detailed negotiations.

Peaceful Behavior in Taiwan Strait. Coincident with the National People's Congress message to compatriots on Taiwan, Beijing announced the ending of the odd-day shelling of the offshore islands that had persisted since the early 1960s in the form of shells loaded with propaganda leaflets. Also during 1979 it opened access to Xiamen (Amoy), directly opposite Taiwan-occupied Chinmen Tao (Quemoy), and reduced emphasis on Fujian Province as a war area. In 1981 it opened Fujian to travel by foreign correspondents and diplomats.

Negotiations. All Chinese proposals for negotiations have been firmly rejected by Chiang Ching-kuo and other Taiwan spokesmen, and there is no evidence that any serious negotiations are under way between Beijing and the authorities on Taiwan. Chinese officials charged with conducting policy toward Taiwan show some understanding of the difficulties that Chiang Ching-kuo would have in opening negotiations and do not seem unduly disturbed that negotiations have not begun.

While there is no evidence of formal negotiations, there is a good deal of evidence of informal soundings being taken in each direction through a variety of channels. Officials in Taipei are extremely careful not to give the impression of exchanging views with officials in Beijing, and there is no evidence that they initiate soundings; nevertheless, they receive many visitors who have talked with Chinese officials at various levels and listen closely to what they have to say. Officials in Beijing no doubt do the same, although they do not share their Taiwan counterparts' concern about creating the impression of negotiating. On the contrary, Beijing has at times, particularly just after the announcement of Ye Jianying's nine points, deliberately sought to give the impression that talks might be going on behind the scenes.

The timing and nature of the Ye Jianying proposals suggest that they probably were aimed as much at the United States as at Taiwan. Taipei's public charge that they were purely propaganda intended for the United States, however, goes too far. They appear to be a carefully crafted set of proposals designed to influence people on Taiwan and eventually to provide a basis for negotiation. Further elaborations and refinements probably can be expected.

United Front Operations. Through a wide variety of united front activities and channels Beijing seeks to convince the authorities and people of Taiwan that the unification of Taiwan with the mainland is both desirable and inevitable. Those engaged in united front work stress the benefits of a peaceful settlement, playing down the military threat held in reserve. The Chinese began to increase emphasis on united front operations early in 1978 and intensified them after the normalization of diplomatic relations between China and the United States. Responsibility for conducting this work lies with the Taiwan Working Group of the CCP, nominally headed by Zhou Enlai's widow, Deng Yingchao, with Liao Chengzhi and Luo Chingchang as her deputies. United front work has taken three principal forms: activities within China intended to influence favorably the people of Taiwan; propaganda through various media aimed at Taiwan; and contacts in Hong Kong or abroad with people from Taiwan or third parties considered good channels for conveying information to Taiwan.

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Within China a directive has been issued to prohibit discrimination against persons with relatives in Taiwan and to rehabilitate those falsely persecuted in the past. Special efforts are to be made to help those who are relatives of KMT personages who had fled to Taiwan. Some prominent persons with relatives in Taiwan are being allowed to leave China for family reunions.

Propaganda directed to Taiwan reports extensively on the activities of persons of Taiwan origin in China. The long-established Taiwan Democratic Self-Government League has now been joined by the All-China Federation of Taiwan Compatriots, which held its first congress in December 1981 in the Taiwan hall of the Great Hall of the People in Beijing. As Liao pointed out at that congress, however, the Chinese are somewhat handicapped in utilizing effectively those of Taiwan origin in China by reason of their remarkably small number: only 20,000, as compared with 30,000 in Japan, 200,000 in the United States, and 18 million in Taiwan.

Propaganda reciting the activities of persons of Taiwan origin has been eclipsed, especially during 1981, by reporting on activities that seem intended to appeal more to mainlanders in Taiwan than to native Taiwanese. These include the commemoration of the 70th anniversary of the 1911 revolution, the increased attention to Sun Yat-sen, the talk of a third period of KMT-CCP cooperation, and the revival of the minor parties that were active in the early 1950s. Among these parties, the Kuomintang Revolutionary Committee (KMTRC) has been given the most prominent role. Leaders of the KMTRC appeal through broadcasts to "old friends" in Taiwan, assuring them that China is carrying forward the ideals of Sun Yat-sen in the "Four Modernizations." [2] The KMTRC is enrolling new members, setting up Taiwan work committees in the provinces, and stepping up contacts with those who have relatives in Taiwan or overseas. In an effort to appeal to Taiwanese businessmen as well as the KMT, China has publicized the return of property to "national capitalists" and the resurrection of the long-moribund All-China Federation of Industrialists and Businessmen. China's news agency, Xinhua, refers to members of this organization as having broad ties with compatriots in Taiwan, Hong Kong, and Macau and among overseas Chinese, placing them in a favorable position to work for the early reunification of Taiwan with the mainland.

In July 1982 Liao Chengzhi wrote an open letter to his "old friend" Chiang Ching-kuo, recalling their association in Moscow and Nanking (Nanjing). He expressed concern at the state of Chiang's health and urged him to act before it was too late to secure himself an honored place in Chinese history by contributing to China's unification.

United front work directives and comments by people engaged in this work show that they have learned a good deal over the past three years about the actual attitudes of people in Taiwan and have modified their techniques in an effort to make them more effective. They recognize that past assumptions of a widespread popular desire on Taiwan for unification were wrong; that, on the contrary, most people have serious doubts about the desirability of unification. According to reliable information, the deputy directors of the CCP's United Front Work Department have a clear picture of the present political climate on Taiwan and realize that Taiwanese and mainlanders alike are "absolutely solid" in wanting to preserve Taiwan's present political status. A fact-finding mission to the United States in 1980 reported back that students from Taiwan had many erroneous ideas about conditions on the mainland and there was great need to educate them. United front workers recognize that both the authorities and the people on Taiwan have many fears and worries about unification and that to overcome them will require a long, careful, and understanding effort. Liao Chengzhi appears to be well informed on attitudes on Taiwan, but the extent to which such knowledge percolates up to the top leaders is uncertain. In November 1981, Deng Xiaoping reportedly said to former Japanese Prime Minister Fukuda, "We think people may be unable to speak their mind." Deng and others, knowing that Chinese unification proposals are not published or publicly discussed in Taiwan, may believe that substantial suppressed prounification sentiment exists there.

[2] The slogan "Four Modernizations" refers to modernizing China's agriculture, industry, science and technology, and national defense.

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The increasing sophistication in propaganda toward Taiwan resulting from greater understanding of conditions there was reflected in a high-level decision not to play up the return to the mainland in late 1981 of Ma Bi, a special research fellow at the General Political Warfare Department of the armed forces in Taiwan, adviser to the Taiwan Garrison Command, and secretary general of the Sun Yat-sen Doctrine Research Society. High-level Chinese officials recognized that public gloating over the defection of a person engaged in such sensitive work, a close associate of Wang Sheng, head of the General Political Warfare Department, would be counterproductive. Chinese agencies showed similar sophistication in handling the defection of an F5-F pilot from Taiwan.

Directors of united front work view personal contacts with people from Taiwan in Hong Kong and Macau and overseas as prime conduits for getting their message across. Earlier restrictions on contacts have been eased, and Chinese officials abroad are instructed to take the initiative to establish friendly relations with people from Taiwan. They are told to inform them about conditions on the mainland, speaking truthfully, not trying to propagandize, but stressing areas in which the Communist system is superior to capitalism. Shifting from a posture of confrontation to one of conciliation, Beijing has authorized its officials to accept invitations to affairs sponsored by pro-Taiwan overseas Chinese associations and to join overseas press associations without demanding the ouster of the member from Taiwan. Sports events involving competition between teams from China and Taiwan have been encouraged and have taken place in the United States, Japan, and Hong Kong. International scientific and technical conferences are other important arenas for contacts. Chinese representatives at sports events and conferences have been granted considerable flexibility to acquiesce in the designation used by a group from Taiwan, so long as the name Republic of China or the ROC flag and anthem are not used. The mainland delegation need not insist on identifying itself as from the People's Republic of China; it can use "Beijing, China," as the counterpart to "Taipei, China." A number of instances of long, friendly talks between scientists from China and Taiwan have been reported.

A unique target for united front work are fishermen from Taiwan. Special stations have been established for the reception of fishermen forced ashore by storms or by the need of repairs to their boats. They are warmly welcomed, taken on sightseeing tours, and resupplied with food and fuel. The four reception centers in Fujian received nearly 400 boats and 2,800 fishermen in 1981, a 10-percent increase over 1980. A lively trade in consumer goods has sprung up at sea between fishermen from Taiwan and the mainland. When the authorities cracked down on smuggling into Fujian by fishermen from Hong Kong, they condoned similar activities by Taiwan fishermen.

Evidence that the authorities on Taiwan are responding to China's conciliatory posture is favorably reported in mainland media. For example, the friendly reception and sightseeing tour given the Chinese crew of a foreign freighter that docked at Chilung (Keelung) in March 1980 was widely publicized in China, as was the reception of a table tennis team from China during a brief unscheduled stopover at the Taoyuan airport in May of the same year.

Undermining Taiwan's Claim To Be a Separate Political Entity. While showing greater willingness than in the past to accept a de facto two-Chinas situation in *nonofficial* international bodies, China rigidly opposes the presence of representatives from Taiwan in international *governmental* organizations and refuses to allow its representatives to take part in any meeting, official or nonofficial, in which persons from Taiwan are identified as representing the Republic of China.

Through its propaganda, particularly that published in the Hong Kong press, the Chinese try to drive home the view that Taiwan is part of China. In negotiations with the United States it has sought acknowledgment of Chinese sovereignty over Taiwan. After failing to dissuade the Dutch from selling two submarines to Taiwan, Beijing downgraded relations to the charge d'affaires level in order to put other countries, especially the United States, on notice that China did not regard the arms trade as ordinary trade, but as a form

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of trade that implied recognition of Taiwan as a separate political entity. In fact, however, Beijing has tolerated arms sales to Taiwan so long as they did not become publicly known. In March 1982 it sent notes to diplomatic missions in Beijing warning against any attempt to give official color to the nondiplomatic offices that some countries maintain in Taiwan or taking any action "which is tantamount to treating Taiwan as an independent political entity." China has not, however, taken any action against countries maintaining these quasi-official offices in Taiwan, nor has it taken any additional measures against the Dutch.

Encouraging Trade With Taiwan. The Chinese have taken a variety of measures to promote trade with Taiwan, including exempting Taiwan goods from import duties, exempting Taiwan ships from tonnage fees in mainland ports, and exempting foreign ships from tonnage fees if they can show that they paid tonnage fees in a Taiwan port. Chinese broadcasts report that Taiwan goods are popular on the mainland and offer coal and oil in return, an offer that Taiwan so far has rejected. According to the Chinese-owned *Xin Wanbao* in Hong Kong, China would welcome investment from Taiwan in joint exploration for offshore oil. Taiwan businessmen are welcomed at the Guangzhou Fair, although none are known to have gone.

The nature of the propaganda on Taiwan trade as well as private comments make clear that its main purpose is political, to forge ties between Taiwan and the mainland that will further the unification process. Economic considerations would be secondary if a long-term deal could be struck on coal or oil that would create an ongoing dependence by Taiwan on supplies from the mainland. Despite the underlying political motivation on Beijing's part, the actual indirect trade that has developed so far, mainly through Hong Kong, amounting to over US $500 million in 1981, is based on economic factors. The decline in Taiwan's indirect trade with China in the first quarter of 1982 (imports down 24 percent, exports up 10 percent) seems also to be attributable to economic factors, including shortage of foreign exchange on the part of buyers in China, overstocking, and tighter control from Beijing over purchases of Taiwan goods by organizations in Guangdong and Fujian Provinces.

Reserving Right To Use Force, But Playing It Down. In April 1978, Wu Xiuchuan told a group of Japanese military experts that Taiwan would not be liberated without recourse to military force, although the "Four Modernizations" had priority and there was no hurry to liberate Taiwan. Since normalization of relations with the United States and the NPC's "message to Taiwan compatriots," however, China has stressed its intention to bring about the return of Taiwan to the mainland by peaceful means, dropping the term "liberation." Deng Xiaoping stated the official position in a response to American reporters in January 1979: "Of course we shall strive to solve the question of Taiwan's return to the motherland by peaceful means. But whether this can be done is a very complex question. We cannot commit ourselves that no other means than peaceful means will be used to achieve the reunification of the motherland. We cannot tie our hands on this matter. If we tied our hands, we would obstruct the realization of the good intention to solve the matter peacefully."

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Problems in Formulating and Conducting Policy

Absence of Inducements To Attract People of Taiwan. Having chosen to play down military threats and other forms of pressure, China has tried through its wide range of conciliatory gestures to convince the authorities and people of Taiwan that it is in their long-term interest to come to terms. Except for the measures taken to encourage trade, however, they lack inducements that would appeal to the self-interest of people on Taiwan. The increased flow of information about the mainland reaching people in Taiwan through credible personal channels has served only to confirm their view that they are much better off than the Chinese on the mainland and that the Communist system has little to offer them. Beijing's offer of postunification financial aid to Taiwan provokes derisive laughter on that prosperous little island, with its $8 billion in foreign exchange reserves and easy access to loans from foreign banks. Trade with the mainland is attractive to a small number of businessmen, but so far has not exceeded 2 percent of Taiwan's total foreign trade. The Chinese offer of large amounts of coal and oil at favorable prices in principle should appeal to resource-poor Taiwan, but the authorities, while permitting private individuals to engage in indirect trade, are reluctant to have government corporations become involved in mainland trade, as would be necessary if large amounts of coal and oil were purchased. An even stronger deterrent is their fear of becoming dependent on China for vital basic commodities or, indeed, for any substantial proportion of their foreign trade. It is also doubtful at the present time whether China could make large amounts of coal or oil available to Taiwan, as there are shortages on the mainland and the bulk of that available for export is tied up in contracts with Japanese buyers.

Contradiction Between Conciliation and Pressure. For the people on Taiwan the smiling face represented by the Ye Jianying proposals and other conciliatory gestures is belied by Beijing's refusal to rule out expressly the use of force and by its pressure on the United States and others to end arms sales. Ye's offer to allow Taiwan to retain its armed forces seems meaningless if those forces are denied the right to maintain and modernize their equipment by purchases from abroad. Beijing's assertion in the joint US-Chinese communique of 17 August 1982 that striving for peaceful reunification is its "fundamental policy" does not compensate, in Taiwan's view, for the US commitment in that communique to reduce the sale of arms to Taiwan.

Contradiction Between Modernization and Taiwan Recovery. A more basic contradiction for Beijing is that pressure on the United States to end arms sales to Taiwan risks damaging the prospects for continued US cooperation in China's own modernization.

Whether To Appeal Mainly to Chiang Ching-kuo and Mainlanders or to Taiwanese. A dilemma that the Chinese have been unable to resolve satisfactorily is whether to direct the appeal for unification primarily at Chiang Ching-kuo and the mainlanders on Taiwan or to the Taiwanese. Policy differences are known to exist in Beijing over this question among those engaged in united front work toward Taiwan; people of Taiwan origin tend to favor emphasis on appealing to the Taiwanese, while others emphasize the need to reach agreement with Chiang Ching-kuo and his mainlander associates.

Arguments for aiming primarily at Chiang Ching-kuo are strong for those who assume that agreement can be reached or the process of negotiation can be started, at least, within the next few years. Chiang Ching-kuo and his mainlander associates hold power, they are longtime adversaries of the Chinese Communists and thus are well known to the leaders in Beijing, and they have family and sentimental ties to the mainland. Most important of all, Chiang Ching-kuo has held firmly to the one-China position and has repressed Taiwan independence advocates.

The longer it seems likely to take to reach agreement on unification, however, the more important it is for China to influence the Taiwanese, for it is apparent

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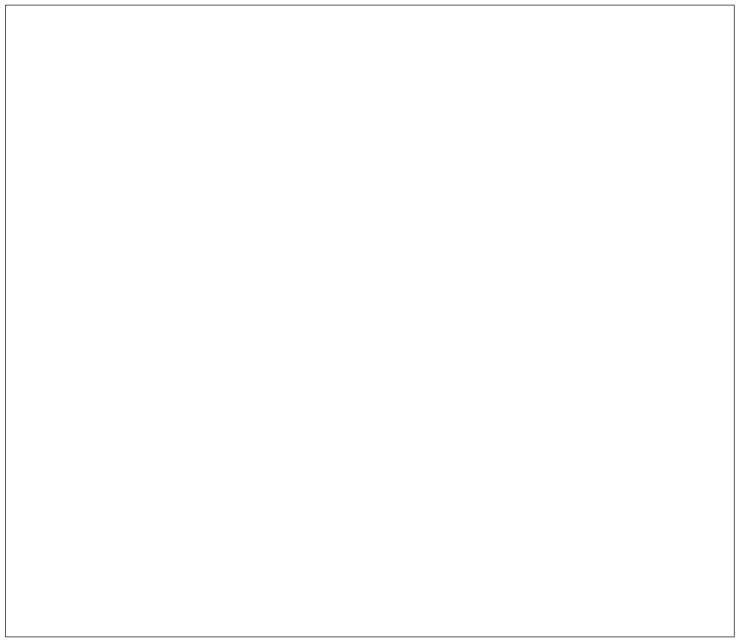
that power will ultimately be in their hands. Moreover, Taiwanese already own most of the private economy; mainlander-controlled government corporations account for only 18 percent of total production. Chinese appeals narrowly focused on the mainlander leadership intensify suspicions among the Taiwanese that a deal may be struck with Beijing that ignores their views and interests and may increase proindependence sentiment among them.

How to frame appeals to the Taiwanese is itself a tricky problem. As indicated above, China has few inducements to offer, other than the trade that interests some Taiwanese businessmen. China is, of course, adamantly opposed to an independent state of Taiwan. Playing up KMT repression of the Taiwanese is risky, for if such propaganda should intensify Taiwanese animosity toward the KMT, it might result in increasing proindependence sentiment. United front work directives and comments by Chinese functionaries suggest a concern that leaders of a Taiwanese uprising against the KMT would not be persons favoring unification with the mainland. Chinese propaganda treatment of the Kaohsiung incident of December 1979 illustrated its problem: it denounced KMT suppression of the Taiwanese demonstration but it could not admit that the demonstration was in support of the concept "Taiwan for the Taiwanese." Consequently, after some delay, it took the line that the KMT was attempting to put down a "patriotic and democratic movement" and trying to silence ever-louder calls for reunification of the motherland. After the trial and sentencing of the Kaohsiung defendants in the spring of 1980, Beijing urged their release, declaring: "We firmly support the democratic movement on the island of Taiwan for patriotism and unification." Far from influencing the people on Taiwan in the desired direction, this falsification could only undercut the credibility of Beijing's propaganda, for it was public knowledge in Taiwan that the Kaohsiung defendants stood for self-determination for Taiwan, not for unification with the mainland.

Recognizing the need to appeal to Chiang Ching-kuo in the short term and to the Taiwanese in the long term, the Chinese have tried to do both. Some of Ye Jianying's nine points, for example, seem aimed primarily at mainlanders and others at Taiwanese. Propaganda directives call for placing the primary emphasis on "the people of Taiwan" and secondary emphasis on "the authorities." In practice, however, as indicated above, the bulk of the united front operations in 1981 and 1982 appear to have been aimed more at Chiang Ching-kuo and the mainlanders than at the Taiwanese. Chiang is not immune from criticism by Chinese propagandists, but they have been instructed not to be too severe with him. Nothing is to be gained by undermining Chiang's position, propagandists are told; on the contrary, he is deserving of praise for his unswerving commitment to one China and his opposition to the Taiwan independence movement.

Complications Produced by China-Taiwan Trade. Chinese encouragement of trade with Taiwan as a political measure to create links between Taiwan and the mainland has had some undesirable side effects for China. It has diverted scarce foreign exchange to the purchase of luxury consumer goods and in the process probably contributed to the growth of corruption. Restrictions on the importation of luxury goods from Taiwan resulted in an increase in smuggling in Fujian. In January 1981, *Xinhua* reported that, from the latter half of 1980, smuggling had become rampant in the Xiamen customs area.



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